

Financial Status Report

Prepared by the Finance Department

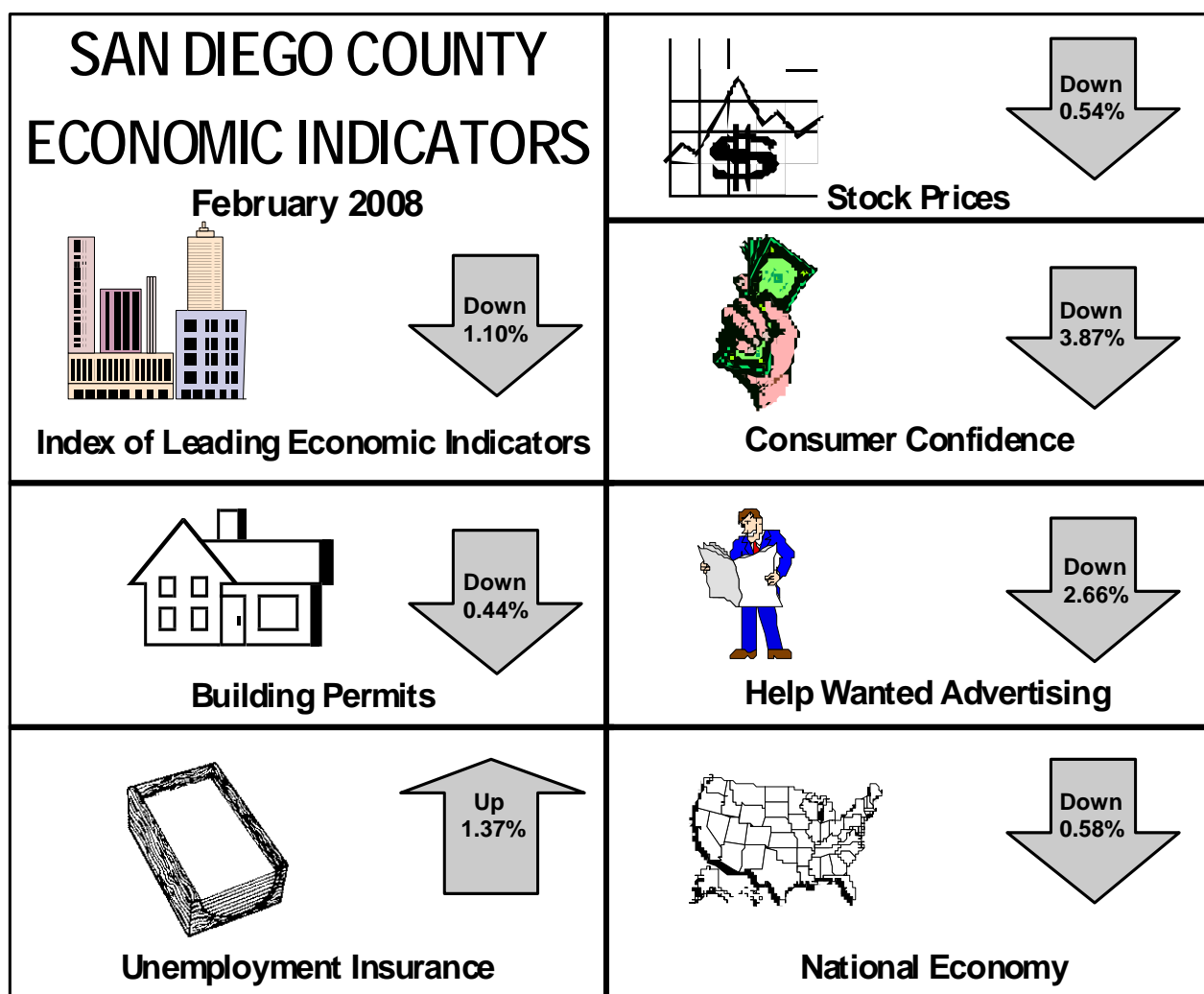


March 31, 2008

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through March 31, 2008. It compares revenues and expenditures for the first nine months of Fiscal Year 2007-08 and Fiscal Year 2006-07. In addition, the financial status of the Water and Wastewater Enterprises and the Village Project Area of the Redevelopment Agency are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

SAN DIEGO ECONOMIC INDICATORS



Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, March 27, 2008.

According to the USD Index of Leading Economic Indicators Report:

The University of San Diego's Index of Leading Economic Indicators for San Diego County fell 1.1% in February after falling 1.2% in January. The biggest contributors to the decline were sharp drops in consumer confidence and help wanted advertising. Down more moderately were building permits, local stock prices, and the outlook for the national economy. The only positive component was initial claims for unemployment insurance, which reflects a large drop in claims for the month.

With February's decrease, the USD Index has now fallen in 22 of the last 23 months, with the declines in the last five months being relatively severe. While there has not been a massive loss of jobs as was the case in the early 1990s, job growth has come to a virtual standstill, with only 300 more jobs countywide in February compared to the year before. The weak housing market remains the culprit, with more than 13,000 jobs lost in real estate-related sectors compared to a year ago. The continued declines in the Leading Indicators indicate no turnaround in sight at the current time.

After falling in 2007 to their lowest level since 1996, residential units authorized by building permits stumbled out of the gate in 2008. The 146 single-family units authorized in February were the lowest number in a month since November 1992. The labor market variables were mixed in both January and February. Initial claims for unemployment insurance dropped after a big surge in October and November, indicating at least a temporary slowing in the rate of job loss locally. On the hiring side of the labor, help wanted advertising continued to fall, as employers become cautious in the face of a slowing economy. Due to structural changes in the help wanted advertising market, this component will now only consider Monster.com's measure of online advertising. The net impact was that the local unemployment rate hit and topped the 5% level in each of the last three months. Local consumer confidence fell to its lowest level since the *San Diego Union-Tribune* started gathering data in 1996. Their index has fallen nearly 40% from the year-ago level. The weakness in the financial markets affected local stock prices heavily in January and to a lesser extent in February. February's decline in the national Index of Leading Economic Indicators was the fifth in a row for that component. More and more macroeconomic data suggests that the national economy is headed towards a recession, if it is not already in one. Among other things, payroll employment has fallen by 85,000 jobs in the first two months of 2008. It remains to be seen whether the unprecedented action by the Federal Reserve in drastically reducing interest rates will be enough to turn the national economy around.¹

TOP GENERAL FUND REVENUES

Property Taxes (\$27.9 million) – In December, the City began to see a much larger flow of property tax revenues. Property taxes reflect a 5% increase over Fiscal Year 2006-07. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 9.9% for Fiscal Year 2007-08. This is the lowest growth percentage in assessed values that the City has seen in the past five fiscal years. This reflects a countywide slow down in property valuation, but it should be noted that the City of Carlsbad still had the second largest increase year over year of any city in San Diego County.

While the 9.9% increase in assessed values for the City reflects the assessed value of all of the taxable property in the City, there are several factors that affect the amount of property taxes received to date. According to Gregory Smith, the San Diego County Assessor, "The residential real estate market has changed from a seller's to a buyer's market in San Diego County." This change has resulted in lower sales prices in the residential market, an increase in property reassessments, and an increase in delinquencies. More importantly, in the month of March 2008, timing differences accounted for a lower than expected growth in property taxes year-to-date. This timing difference will reverse itself in April 2008.

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Down Sharply in February*, March 27, 2008.



Sales Taxes (\$19.7 million) – For the first nine months of the fiscal year, sales tax revenues are \$569,000 (or 3%) higher than the same time period in the previous fiscal year. Sales tax revenues to date represent actual sales tax receipts for the second, third and fourth quarters of the calendar year, as well as the first advance of the City's first quarter sales tax revenues for Calendar Year 2008. Advances are based on prior year activity, and are not a true indicator of the current economy. The

four primary factors in the 3% increase this year include a slight growth in sales tax revenues during the second and third calendar quarters of 2007, the State Board of Equalization slightly raising the growth factor applied to the monthly advance in the first calendar quarter of 2008, several one-time payments received as a result of audit findings from previous periods, and a 14% increase in the semiannual "Triple Flip receipt. The increased "Triple Flip" receipt was based on the growth in sales tax revenues during Fiscal Year 2006-07.

For sales occurring in the third calendar quarter of 2007 (the most recent data available), key gains could be seen in new auto sales, apparel stores, and restaurants. During the same period, key declines could be seen in office equipment, service stations, and furniture/appliance stores. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 1.5% for sales occurring in the twelve months ended September 30, 2007 over the same twelve-month period last year.

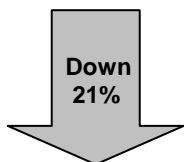
The largest economic segments in the City continue to be new auto sales, department stores, restaurants, apparel stores, and miscellaneous retail. Together, they generate 67% of the City's sales tax revenues.



Transient Occupancy Tax (\$10.6 million) – Transient Occupancy Taxes (TOT) for the first nine months reflects an increase of \$909,000, 9% over the previous year. The two largest hotels contributed 43% of this increase. Strong tourism throughout the rest of the City accounted for 31% of the increase. The remaining 26% of the increase is due to the timing of payments received. Over the past twelve months,

the average occupancy rate for reporting hotels has been 62%. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of February 2008.

Although the Olympic Resort recently closed its hotel rooms (78 rooms) for conversion into a health club, the Hampton Inn's (94 rooms) opened to the public in December 2007, and the Sheraton Carlsbad Ranch (129 rooms currently open) and the Homewood Suites (150 rooms) opened to the public in February 2008. Currently, there are 3,385 hotel rooms and 664 vacation rentals (timeshares) in the City.



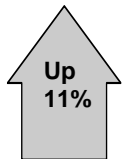
Development-Related Revenues (\$2.7 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a decrease for the year. According to the annual budget, it is anticipated that these revenues will decline in total by almost 36% for the entire fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. The largest development-related revenue source year-to-date is engineering plan check fees, which is one of the first fees paid during the initial stages of development. These fees are up for the year due to the initial steps of development at some of the last remaining master planned projects in Carlsbad including: Robertson Ranch, Cantarini Ranch and Holly Springs. Some of the activity in March included residential development at the Oaks North in the Villages of La Costa as well as commercial development with the Bressi Ranch Medical Plaza.

Another source of development-related revenue is building permits, which are down 26% compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction and a decrease in the number of residential and commercial/industrial building permits issued. The valuation of new construction in the current fiscal year is just under \$160.5

million, while it was just over \$227.5 million in the previous fiscal year, a 29.5% decrease. The pace of construction slowed considerably in March, with builders pulling permits for four residential units. These miscellaneous permits were scattered throughout the City. For the first nine months of the fiscal year, 252 residential permits were issued, as compared to 329 permits issued during the same period last year.

No permits were issued in the City for new industrial, commercial or office space in March. Year-to-date there has been a combined 771,956 square feet in commercial/industrial permits issued, as compared to 1,602,482 square feet at this time in Fiscal Year 2007.



Income from Investments and Property (\$3.0 million) – For the first nine months of the fiscal year, income from investments and property is up \$291,000 compared to the previous year. The higher revenue is a combination of an increase in interest income (up 13%) and an increase from the rental of City-owned property (up 2%).

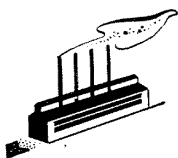
Interest income is up for the year due to the effects of a 5% increase in the average daily cash balance for the year, combined with a 5% increase in the average yield on the portfolio for the first nine months of the fiscal year.

Income from property rentals and sales is up compared to the previous year primarily due to additional library facility, recreation site and pool rentals.



Business License Tax (\$2.7 million) – Business license revenues have increased by \$375,000 compared to Fiscal Year 2007. 52% of this increase is due to timing differences. We had two of the City's larger businesses pay for their licenses in March this year, when last year they paid in April and June.

There is a slight increase in the number of licenses issued this year over last year. We have 8,562 licensed businesses operating within the City, up 65 from the prior year. The remainder of the increase in revenue is due to increased business volumes, which translates into more taxes, as most taxes are based on gross receipts. The majority of taxed businesses (5,961 businesses) are located in Carlsbad, with 2,569 of these businesses home-based.

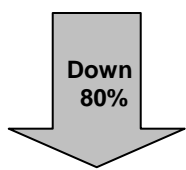


Franchise Taxes (\$1.9 million) – Franchise fees are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, and cable franchises conducting business within City limits. Year-to-date franchise fees are up \$89,000 over the same period last year due primarily to an increase in the quarterly franchise taxes paid by Time Warner Cable (up 6%) and by Coast Waste Management (up 2%) for the second, third and fourth calendar quarters of 2007, as well as the addition of a new cable franchisee, AT&T.

Approximately 53% of the total franchise fee revenue anticipated for the year will be collected from SDG&E during the month of April 2008.



Interdepartmental Charges (\$1.7 million) – Interdepartmental charges are \$79,000, or 5% higher than last year. These charges are generated through engineering services charged to capital projects (up 20%), miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 6%) and reimbursed work from other departments outside of the General Fund (down 75%).



Other Intergovernmental Revenues (\$1.6 million) – Other intergovernmental revenues include miscellaneous receipts received from the State or Federal governments, as well as local school districts. Included in the \$1.6 million received this year are state library grants, senior nutrition grant funds, reimbursements for Peace Officer Standards and Training (POST) expenses,

State mandated costs reimbursements, state and federal disaster preparedness funds, Law Enforcement Terrorism Program funding, a firearms training simulator grant, school resource officer reimbursements, money received from the County of San Diego for police task force reimbursements, and reimbursements received from the Federal Highway Administration (FHWA) for the 2005 winter storm damage in the City. A major factor in this year's decrease is the assistance the City received from FHWA (\$6.2 million last fiscal year versus \$675,000 this fiscal year) for the 2005 winter storm damage in the City.



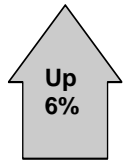
Ambulance Fees (\$1.4 million) – The City bills any individual who is transported in one of the City's ambulances. Through March 2008, receipts from ambulance fees are up 16% or \$192,000 higher than last fiscal year at this time. Ambulance revenues have been impacted by an increase in the number of transported patients that were billed in the first nine months of

Fiscal Year 2007-08 (2,748) versus Fiscal Year 2006-07 (2,338). In June of 2007, the City implemented an electronic transmission system, which has increased the efficiency of billing for ambulance services.



Recreation Fees (\$1.3 million) – Recreation fees are generated through instructional classes, youth and adult sports, the triathlon, and other special events, day trips, various aquatic programs, and lagoon permits. Year-to-date recreation fee revenue is \$45,000 higher than the previous fiscal year. The largest factors in this year's increase are increased participation in instructional

classes, youth and adult sports, and the annual triathlon. These increases were partially offset by lower revenues in arts camps, senior trips/classes and the various aquatic programs.

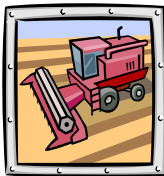
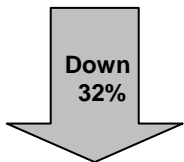


Fines and Forfeitures (\$979,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The City recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. An increase in the number of moving citations issued has led to

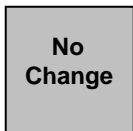
additional revenues received by the City, although the majority of moving violation revenue is paid to the courts for the administration of these citations.

ADDITIONAL GENERAL FUND REVENUES

Although the top General Fund revenues represent approximately 96% of all General Fund revenues, the City does have some other revenue sources, although much smaller in scale. Each month, we will highlight other revenue sources to give you some insight as to how these revenues are derived and how they are doing in the current fiscal year.



Other Licenses and Permits (\$566,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity.



Homeowners' Exemptions (\$185,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The State then reimburses the City for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.

EXPENDITURES

Total General Fund expenditures and encumbrances through March 2008 are \$102.0 million, compared to \$83.3 million at the same time last year. This leaves \$47.0 million, or 31.6%, available through the fiscal year-end on June 30, 2008. If funds were spent in the same proportion as the previous year, the General Fund would have 34.0% available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at March 31, 2008 is 33.2%, slightly less than the 35.2% available at March 31, 2007. Some of the larger factors reflected in the increase in committed funds for the current year is an update of the City's General Plan, Local Coastal Program and Zoning Ordinance planned for the 2007-08 Fiscal Year; the purchase of a fire rescue ambulance and replacement equipment; the purchase of furniture and equipment for the Senior Center expansion; an increase in routine and emergency traffic signal maintenance; additional funds transferred to the Infrastructure Replacement Fund for the future major maintenance and replacement of City infrastructure; the upgrading of the City's financial information system; costs related to the fires in San Diego County in October of 2007; costs related to the Tamarack Avenue sink hole emergency repair; and the partial funding of the Joint First Responders Training Facility.

The City Council has allocated \$2.24 million out of the General Fund budget to be available for unanticipated emergencies or unforeseen program needs. As of March 31, 2008, just over \$1.24 million has been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$2,240,000		
USES:			
School Adult Crossing Guard Services Contract	(27,610)	08/07/2007	2007-202
Purchase of a Fire Rescue Ambulance and Replacement Equipment	(156,670)	09/11/2007	2007-237
"In Kind" Service Assistance for the 2007 La Costa Canyon Homecoming Parade	(1,052)	09/18/2007	2007-249
City Manager Recruitment Expenses	(70,000)	09/18/2007	2007-250
"In Kind" Service Assistance for the 2007 Carlsbad High School Homecoming Parade	(2,540)	09/18/2007	2007-250
"In Kind" Service Assistance for the Carlsbad Christmas Bureau	(557)	12/04/2007	2007-305
Review of NRG's Proposal to Construct a New Power Plant at the Encina Power Station	(200,000)	12/11/2007	2007-312
Tamarack Avenue Sink Hole Emergency Repair	(750,000)	02/19/2008	2008-046
Legal Services Related to Adult Business Zoning	(35,000)	03/18/2008	2008-071
TOTAL USES	<u>(1,243,429)</u>		
AVAILABLE BALANCE	<u>\$996,571</u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 03/31/08	ACTUAL FY 2007 AS OF 03/31/07	ACTUAL FY 2008 AS OF 03/31/08	CHANGE FROM YTD 2007 TO YTD 2008	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$30,328,802	\$26,497,458	\$27,888,860	\$1,391,402	5%
SALES TAX	19,620,945	19,147,058	19,715,847	568,789	3%
TRANSIENT TAX	10,180,150	9,643,848	10,553,207	909,359	9%
FRANCHISE TAX	1,891,424	1,798,285	1,887,691	89,406	5%
BUSINESS LICENSE TAX	2,462,158	2,293,793	2,668,724	374,931	16%
TRANSFER TAX	579,986	722,463	612,260	(110,203)	-15%
TOTAL TAXES	65,063,464	60,102,905	63,326,589	3,223,684	5%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	522,031	508,046	347,189	(160,857)	-32%
HOMEOWNERS EXEMPTIONS	190,000	185,315	185,429	114	0%
OTHER	1,797,731	7,841,761	1,571,702	(6,270,059)	-80%
TOTAL INTERGOVERNMENTAL	2,509,762	8,535,122	2,104,320	(6,430,802)	-75%
LICENSES AND PERMITS					
BUILDING PERMITS	545,254	760,901	560,004	(200,897)	-26%
OTHER LICENSES & PERMITS	672,514	835,955	565,944	(270,011)	-32%
TOTAL LICENSES & PERMITS	1,217,768	1,596,856	1,125,948	(470,908)	-29%
CHARGES FOR SERVICES					
PLANNING FEES	373,831	925,754	522,743	(403,011)	-44%
BUILDING DEPARTMENT FEES	514,735	555,414	460,200	(95,214)	-17%
ENGINEERING FEES	783,484	1,233,764	1,194,018	(39,746)	-3%
AMBULANCE FEES	1,173,750	1,167,357	1,359,154	191,797	16%
RECREATION FEES	1,326,649	1,299,530	1,344,831	45,301	3%
OTHER CHARGES OR FEES	628,064	613,107	761,986	148,879	24%
TOTAL CHARGES FOR SERVICES	4,800,512	5,794,926	5,642,932	(151,994)	-3%
FINES AND FORFEITURES	792,768	921,250	979,146	57,896	6%
INCOME FROM INVESTMENTS & PROPERTY	2,750,008	2,753,033	3,043,825	290,792	11%
INTERDEPARTMENTAL CHARGES	1,927,500	1,609,463	1,688,066	78,603	5%
OTHER REVENUE SOURCES	647,919	614,954	457,125	(157,829)	-26%
TOTAL GENERAL FUND	\$79,709,701	\$81,928,509	\$78,367,951	(\$3,560,558)	-4%
(1)					
(1) Calculated General Fund revenues are 1.7% below estimates as of March 31, 2008.					

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT					
DEPT	DESCRIPTION	TOTAL	AS OF 03/31/08		
		BUDGET FY 2007-08	AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE*
POLICY/LEADERSHIP GROUP					
	CITY COUNCIL	\$432,183	\$283,650	\$148,533	34.4%
	CITY MANAGER	1,842,402	1,242,324	600,078	32.6%
	COMMUNICATIONS	1,405,855	1,051,784	354,071	25.2%
	CITY CLERK	197,614	114,717	82,897	41.9%
	CITY ATTORNEY	1,405,263	953,055	452,208	32.2%
	CITY TREASURER	211,025	127,860	83,165	39.4%
	TOTAL POLICY/LEADERSHIP	5,494,342	3,773,390	1,720,952	31.3%
ADMINISTRATIVE SERVICES					
	ADMINISTRATION	1,095,523	716,897	378,626	34.6%
	ENVIRONMENTAL RESOURCES MGMT.	360,450	127,974	232,476	64.5%
	FINANCE	4,077,112	2,881,353	1,195,759	29.3%
	HUMAN RESOURCES	3,795,969	2,032,234	1,763,735	46.5%
	RECORDS MANAGEMENT	1,030,803	658,172	372,631	36.1%
	TOTAL ADMINISTRATIVE SERVICES	10,359,857	6,416,630	3,943,227	38.1%
PUBLIC SAFETY					
	POLICE	26,989,010	19,263,439	7,725,571	28.6%
	FIRE	18,975,740	13,146,778	5,828,962	30.7%
	TOTAL PUBLIC SAFETY	45,964,750	32,410,217	13,554,533	29.5%
COMMUNITY DEVELOPMENT					
	COMMUNITY DEVELOPMENT ADMIN	3,362,486	2,654,162	708,324	21.1%
	HIRING CENTER (c)	88,000	84,247	3,753	4.3%
	GEOGRAPHIC INFORMATION	563,767	358,404	205,363	36.4%
	ECONOMIC DEV/REAL ESTATE MANAGEMENT	329,839	211,436	118,403	35.9%
	PLANNING	5,097,835	3,065,735	2,032,100	39.9%
	BUILDING	2,355,856	1,651,210	704,646	29.9%
	TOTAL COMMUNITY DEVELOPMENT	11,797,783	8,025,194	3,772,589	32.0%
COMMUNITY SERVICES					
	PARK PLANNING & RECREATION	6,830,601	4,190,609	2,639,992	38.6%
	SENIOR PROGRAMS	1,356,333	904,009	452,324	33.3%
	LIBRARY	10,963,386	7,053,551	3,909,835	35.7%
	CULTURAL ARTS	1,012,324	762,329	249,995	24.7%
	TOTAL COMMUNITY SERVICES	20,162,644	12,910,498	7,252,146	36.0%
PUBLIC WORKS					
	PUBLIC WORKS ADMINISTRATION	1,844,230	804,644	1,039,586	56.4%
	ENGINEERING	10,793,167	6,366,997	4,426,170	41.0%
	PARKS	6,187,215	4,345,292	1,841,923	29.8%
	STREETS & TRAFFIC SIGNALS	4,507,725	3,356,673	1,151,052	25.5%
	FACILITIES	5,301,851	3,409,351	1,892,500	35.7%
	TOTAL PUBLIC WORKS	28,634,188	18,282,957	10,351,231	36.1%
NON-DEPARTMENTAL & CONTINGENCY					
	OTHER NON-DEPARTMENTAL (a)	6,099,962	1,112,614	4,987,348	81.8%
	TRANSFERS OUT	19,471,800	19,025,000	446,800	2.3%
	CONTINGENCY	996,571	0	996,571	100.0%
	TOTAL NON-DEPT & CONTINGENCY	26,568,333	20,137,614	6,430,719	24.2%
TOTAL GENERAL FUND		\$148,981,897	\$101,956,500	\$47,025,397	31.6%

(a) Other non-departmental expenses include property tax administration fees, assessment district administration, citywide litigation expenses, 2005 storm damage costs, Tamarack Avenue sink hole emergency repair and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

(c) The Hiring Center contracts are encumbered in full at the beginning of each year, thereby reducing the available funds.

* Amount available would be 34.0% if funds were spent in the same proportion as the previous year.

WATER ENTERPRISE

**WATER OPERATIONS FUND
MARCH 31, 2008**

	BUDGET FY 2007-08	YTD 03/31/2007	YTD 03/31/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
WATER DELIVERY	21,319,904	14,528,375	14,521,953	(6,422)	0.0%
MISC. SERVICE CHARGES	214,300	175,901	158,328	(17,573)	-10.0%
PROPERTY TAXES	2,488,479	1,532,010	1,603,551	71,541	4.7%
FINES, FORFEITURES & PENALTIES	255,000	203,523	197,307	(6,216)	-3.1%
INTEREST	326,216	421,280	125,059	(296,221)	-70.3%
OTHER REVENUES	514,500	409,357	486,594	77,237	18.9%
TOTAL OPERATING REVENUE	25,118,399	17,270,446	17,092,792	(177,654)	-1.0%
EXPENSES					
STAFFING	3,039,451	2,048,334	2,159,793	111,459	5.4%
INTERDEPARTMENTAL SERVICES	2,326,132	1,670,238	1,763,746	93,508	5.6%
PURCHASED WATER	13,500,000	8,124,727	7,834,664	(290,063)	-3.6%
MWD/CWA FIXED CHARGES	2,689,925	1,622,214	1,749,308	127,094	7.8%
OUTSIDE SERVICES/MAINTENANCE	630,617	534,302	307,728	(226,574)	-42.4%
DEPRECIATION/REPLACEMENT	2,993,000	2,368,250	2,468,000	99,750	4.2%
CAPITAL OUTLAY	11,650	2,983	23,800	20,817	697.9%
MISCELLANEOUS EXPENSES	1,122,536	419,024	458,806	39,782	9.5%
TOTAL OPERATING EXPENSES	26,313,311	16,790,072	16,765,845	(24,227)	-0.1%
OPERATING INCOME/(LOSS)	(1,194,912)	480,374	326,947	(153,427)	-31.9%

Revenues

Down
1%

- Flat water delivery revenues are the result of a combination of a 6% decrease in the number of water units sold, an overall 9% increase in water rates (water sales and delivery charges) that went into effect in November 2007, and an additional 2,248 residential water customers over the last twelve months.
- The decrease in miscellaneous service charges is the result of a change in the allocation of utility billing administrative fee revenues.
- The decrease in interest revenue is due to the Marbella settlement costs and legal fees paid by the Enterprise in August 2007, but reflected in the 2006-07 Fiscal Year expenses.
- Other revenues reflect reimbursements received by the Enterprise relating to the Marbella settlement.

Expenses

No
Change

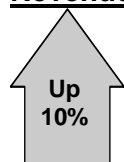
- Purchased water expenses reflect a 10% decrease in purchased water units netted with a 7% increase in the cost per acre foot of water.
- Costs in Fiscal Year 2006-07 related to the proposed desalination facility, prior year asphalt/street repairs, and prior year water main repairs at Mystra and College/Cannon, are reflected in the decrease in outside services and maintenance.
- The purchase of additional replacement meters and supplies in the current fiscal year have resulted in an increase in miscellaneous expenses.

Outlook

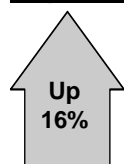
Currently, the operating results for the Enterprise reflect year-to-date net income of \$327,000. March figures reflect nine months of water sales, yet only eight months of water purchases are recorded at this time. In addition, depreciation expenses are only recorded on a quarterly basis. Based on activity to date, we project that the Enterprise deficit will be between \$700,000 and \$900,000 by the end of the fiscal year. There is a sufficient retained earnings balance to cover this projected deficit.

WASTEWATER ENTERPRISE

WASTEWATER OPERATIONS FUND					
MARCH 31, 2008					
	BUDGET FY 2007-08	YTD 03/31/2007	YTD 03/31/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
CHARGES FOR CURRENT SERVICES	8,320,565	5,496,046	5,967,600	471,554	8.6%
INTEREST	145,770	181,976	141,149	(40,827)	-22.4%
OTHER REVENUES	273,436	145,140	265,610	120,470	83.0%
TOTAL OPERATING REVENUE	8,739,771	5,823,162	6,374,359	551,197	9.5%
EXPENSES					
STAFFING	1,494,962	759,094	838,083	78,989	10.4%
INTERDEPARTMENTAL SERVICES	1,269,141	787,089	840,540	53,451	6.8%
ENCINA PLANT SERVICES	3,382,381	1,153,119	1,458,712	305,593	26.5%
OUTSIDE SERVICES/MAINTENANCE	271,484	114,486	226,504	112,018	97.8%
DEPRECIATION/REPLACEMENT	3,332,000	1,582,500	1,806,668	224,168	14.2%
CAPITAL OUTLAY	816,200	53,841	10,967	(42,874)	-79.6%
MISCELLANEOUS EXPENSES	409,622	267,719	272,766	5,047	1.9%
TOTAL OPERATING EXPENSES	10,975,790	4,717,848	5,454,240	736,392	15.6%
OPERATING INCOME/LOSS	(2,236,019)	1,105,314	920,119	(185,195)	-16.8%

Revenues

- The increase in charges for current services is primarily the result of an additional 1,934 new residential sewer customers over the past twelve months, as well as a 10.6% rate increase that went into effect in November 2007.
- Decreased interest revenue is the result of an 18% lower average daily cash balance combined with a 5% increase in the yield on the portfolio for the year.
- Encina's second quarter billing contained adjustments to the prior year amounts billed to the Enterprise. This resulted in a \$90,000 reimbursement in the current year as reflected in the increase in other revenues.

Expenses

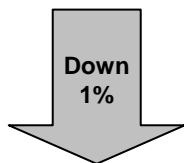
- Increased staffing costs are the result of filling vacant positions created in the previous fiscal year due to retirements.
- Higher chemical and staffing costs, as well as utility costs related to the new office building are reflected in the Encina plant services.
- Costs related to the implementation of a work order system as well as the rental of a Vactor truck over the first six months of the fiscal year, can be seen in the increase in outside services and maintenance expenses.
- Higher depreciation expenses are the result of recently acquired wastewater infrastructure, facilities and equipment.

Outlook

Currently, the operating results for the Enterprise reflect year-to-date net income of \$920,000. Based on activity to date, we project that the Enterprise deficit will be between \$1.5 and \$2.0 million by the end of the fiscal year, as the largest expenses for the Enterprise, Encina plant and depreciation expenses, are only recorded on a quarterly basis. There is a sufficient retained earnings balance to cover this projected deficit.

REDEVELOPMENT AGENCY

CARLSBAD REDEVELOPMENT AGENCY VILLAGE PROJECT AREA OPERATIONS, DEBT SERVICE AND CAPITAL FUNDS MARCH 31, 2008					
	BUDGET FY 2007-08	YTD 03/31/2007	YTD 03/31/2008	CHANGE FROM YTD 2006-07 TO YTD 2007-08	PERCENT CHANGE
REVENUES					
PROPERTY TAXES	2,748,000	1,641,394	1,581,069	(60,325)	-3.7%
INTEREST	70,000	65,643	94,696	29,053	44.3%
OTHER REVENUES	48,500	40,714	60,539	19,825	48.7%
TOTAL OPERATING REVENUE	2,866,500	1,747,751	1,736,304	(11,447)	-0.7%
EXPENDITURES					
STAFFING	186,474	129,067	153,887	24,820	19.2%
INTERDEPARTMENTAL SERVICES	94,893	63,946	71,170	7,224	11.3%
RENTALS & LEASES	170,254	121,923	149,466	27,543	22.6%
DEBT EXPENSE	1,046,165	1,046,878	1,046,303	(575)	-0.1%
CAPITAL OUTLAY	992,874	30,450	552,433	521,983	1714.2%
OUTSIDE SERVICES, MAINT & MISC	141,074	125,909	70,357	(55,552)	-44.1%
TOTAL OPERATING EXPENDITURES	2,631,734	1,518,173	2,043,616	525,443	34.6%
TOTAL OPERATING REVENUES OVER EXPENDITURES	234,766	229,578	(307,312)	(536,890)	-233.9%

Revenues

- Assessed values for the year have increased by 2.2% in the Village Redevelopment Area. Per the County of San Diego Assessor's Office, the decrease through March 2008 is due to a timing difference. This should be rectified during the month of April 2008.
- Increased interest revenue is the result of a 36% higher average daily cash balance combined with a 5% increase in the yield on the portfolio for the year.
- Increased other revenues are the result of lease revenues from the Sowing Sisters and permit revenue from the Hotel Lumiere project.

Expenditures

- Increased staffing costs are the result of normal salary and related benefits increases, the reallocation of staff salaries and the filling of a previously vacant part-time position.
- Higher interdepartmental charges are the result of the increased costs of information technology services.
- A timing difference with the annual parking lot lease payment to the North County Transit District has impacted rental and lease expenditures for the year.
- Debt expenses to date represent both bond payments by the Agency.
- The majority of the capital outlay expenditures relate to the Senior Center expansion.
- During the previous fiscal year, the Agency was conducting a downtown village retail analysis and revitalization project, as well as performing a design standards review, as reflected in the reduction in outside services, maintenance and miscellaneous expenditures.

Outlook

Due to higher than anticipated property tax revenues, we anticipate that the Agency will end the year with operating income between \$500,000 and \$800,000.